

1210.08 Indirect Funds

Issued January 1, 1994

SUBJECT: Indirect Funds.

APPLICATION: Executive Branch Departments and Sub-units.

PURPOSE: To provide guidelines for accounting for receipt of federal or non-federal funds from any grants, awards or contracts received for indirect costs.

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SUMMARY: Section 460 of Public Act 431 of 1984, as amended, requires each state agency to establish an indirect cost rate and charge indirect costs to all awards, contracts and grants; including awards, contracts and grants received from the federal government.

Monies received from the federal government that apply to, or are in payment of, indirect costs must be credited to the respective state funds that initially financed the indirect costs. Unless notified otherwise, all monies received from the federal government that are associated with allocated costs of statewide central service agencies are to be deposited as general fund/general purpose revenues. When calculating an appropriate distribution of federal monies pertinent to the department's indirect costs, each department must analyze the basis for their initial allocation of costs between general fund appropriations and other restricted funding sources. Under no circumstances should federal monies be credited back to a restricted funding source if that source funded only a fair and equitable allocation of the department's total indirect costs. Documentation supporting calculation of these allocations must be maintained by each department.

Similar treatment must also be given to monies received, applicable to indirect costs from non-federal government grants, awards and contracts, e.g., private foundations.

Departments must establish and maintain separate accounting to identify monies received, related to:

- Departmental indirect costs, usually a percentage of direct costs,
- Indirect costs of state government (support services and control agencies),
- Monies received from non-federal government grants, awards or contracts that apply to, or are in payment of, indirect costs.

APPLICABLE FORMS: None.

PROCEDURES: None.

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Procedure 1210.08

Procedure Update: 12/22/03